



Memorandum

To: Members of the Michigan House Appropriations Committee

From: Chris Glass, Director of Legislative Affairs, West Michigan Talent Triangle

Date: December 9, 2015

RE: **Support of HB 4388 Sinking Fund Levy and Allowable Uses Reform**

First and foremost, thank you for your service to our state. We're respectfully requesting your support to pass sinking fund reform legislation HB 4388 – sponsored by Rep. Mike McCready.

This bill will allow school districts to approach voters in a more cost-effective manner to pay for short-term capital investments in technology and security through a sinking fund as opposed to a bond. Bonds, as you know, are long-term debt instruments designed for large capital expenditures. A sinking fund allows a district to capture and expend a small portion of local property tax value annually for similar purposes.

Current law allows districts to use sinking funds to pay for property purchases and construction/repair projects. Technology and security purchases are not approved expenditures for sinking funds under current law. Allowable uses for sinking funds have remained unchanged since the passage of Proposal A in 1994, despite the dramatic growth in demand for technology and school security investments.

Taxpayers all across the state are forced to pay higher property taxes to support technology and security improvements as a result of school districts being forced to bond for these short-term capital assets. The local implications of districts bonding for these items are dramatic. In Forest Hills Public School District, taxpayers will pay \$2,172,450 million in interest and issuance fees on a \$16 million dollar technology bond to support students. Rockford Public School taxpayers will pay \$4,603,000 in interest and issuance fees over the life of a bond to improve technology and security measures. Grand Rapids Public School District residents are still paying off over \$6,512,480 in interest and issuance fees from a 2004 bond that included \$15 million for technology. The same can be said for Holland and Zeeland Public School residents who are paying \$974,614 and \$559,657 in added cost unnecessarily.

To demonstrate just how prevalent of an issue this is we analyzed state qualified bond requests for the last two years. These bond requests only make a small portion of those across the state since not every district uses the state's credit rating for bonding. We found that of the 90 bond requests, 81 of them included technology in the bond requests. Of the total requests, 80 percent of them were approved by their communities. Every time a bond is passed with short-term capital assets like technology and security taxpayers are unnecessarily paying higher property taxes.

These costs could be avoided if school districts were able to finance short-term capital assets from a sinking fund as opposed to a bond issue. Technology consultants recommend districts spend \$100 per pupil for technology purchases. Using the example from GRPS above, the interest and issuance fees could have fulfilled the technology needs for each of the district's 17,000 students for three years. Or put another way, Grand Rapids taxpayers could have enjoyed a 1.5 mill reduction for one year on their property taxes.

This legislation strikes an appropriate balance between a targeted expansion of allowable uses while also restricting the size and length of sinking fund levies. Current law allows districts to levy up to 5 mills for a 20 year period. HB 4388 reduces that to 3 mills for 10 years. This provides greater accountability and savings to taxpayers.

The needs will only continue to grow given our transition to an online state assessment. Many districts across the state requested waivers from the Michigan Department of Education to deliver the state assessment in paper and pencil form.

You have our commitment to do whatever is necessary to support your efforts to pass HB 4388. Please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Glass", with a stylized flourish at the end.

Chris Glass

Director of Legislative Affairs

West Michigan Talent Triangle



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RE: School District Added Cost Examples – Bonding for Security and Technology

Below you will find several examples of local school districts throughout the West Michigan region that have passed bonds that include technology and/or security purchases. The “added cost” calculations are the interest and issuance fees associated with borrowing for these items. If House Bill 4388 were to become enacted, these costs would be avoidable. In the examples below, we have separated the business and residential burden using property tax information from the County Equalization Departments. In order to illustrate the cost implications for individual taxpayers, we included the top taxpayers in the school districts and their share of the “added cost.”

Forest Hills Public Schools	
2014 Total Taxable Value	\$3,044,842,387
2014 Total Business Taxable Value	\$863,630,782
2013 Bond Request (Technology)	\$16,805,000
Total Added Cost	\$2,172,450
Business Share of Added Cost	\$616,187
Residential Share of Added Cost	\$1,556,263

Employer	Taxable Value (2014)	% of Total TV	Share of Added Cost
Amway	\$68,845,666	2.261%	\$49,120
Access Business Group LLC	\$38,155,800	1.253%	\$27,224
Access Logistics Limited Partner	\$20,885,900	0.686%	\$14,902
Consumers Energy	\$19,087,674	0.627%	\$13,619
Meijer, Inc.	\$17,588,208	0.578%	\$12,549
Altacor Inc. - Complex	\$14,743,700	0.484%	\$10,519
Porter Hills Pres. Village	\$13,434,143	0.441%	\$9,585
Celebration Cinemas	\$9,335,500	0.307%	\$6,661
GE Aviation Systems LLC	\$8,078,100	0.265%	\$5,764

Grand Rapids Public Schools	
2014 Total Taxable Value	\$4,101,724,349
2014 Total Business Taxable Value	\$1,603,216,013
2004 Bond Request (Technology Only)	\$15,000,000
Total Added Cost	\$6,512,480
Business Share of Added Cost	\$2,545,493
Residential Share of Added Cost	\$3,966,987

Employer	Taxable Value (2014)	% of Total TV	Share of Added Cost
Consumers Energy	\$66,737,842	1.627%	\$105,962
Spectrum Health	\$43,265,821	1.055%	\$68,695
Amway Hotel Corporation	\$37,162,299	0.906%	\$59,004
JW Marriott Hotel	\$23,961,500	0.584%	\$38,045
Centerpointe Mall Partners	\$23,094,512	0.563%	\$36,668
Fifth Third Bank	\$18,696,736	0.456%	\$29,686
DTE Gas Company	\$18,493,700	0.451%	\$29,363
Pridgeon and Clay	\$14,187,235	0.346%	\$22,526
Autodie LLC.	\$12,068,655	0.294%	\$19,162
Jade Pig Ventures	\$11,531,200	0.281%	\$18,309
Holland Home	\$10,920,700	0.266%	\$17,339
Covenant Retirement Community	\$9,497,400	0.232%	\$15,079
Dematic Corporation	\$8,606,000	0.210%	\$13,664
Coca-Cola Inc.	\$7,829,700	0.191%	\$12,432

Rockford Public Schools	
2014 Total Taxable Value	\$1,568,006,094
2014 Total Business Taxable Value	\$220,234,506
2014 Bond Request (Technology and Security)	\$24,490,551
Total Added Cost	\$4,603,000
Business Share of Added Cost	\$646,515
Residential Share of Added Cost	\$3,956,485

Employer	Taxable Value (2014)	% of Total TV	Share of Added Cost
Wolverine World Wide (TV)	\$20,509,844	1.308%	\$60,208
Consumers Energy (TV)	\$16,318,780	1.041%	\$47,905
DTE Gas Company (TV)	\$7,239,800	0.462%	\$21,253
Meijer, Inc. (TV)	\$7,853,289	0.501%	\$23,054
Wynaldo Litho, Inc. (TV)	\$5,509,700	0.351%	\$16,174
Byrne Electrical Specialists (TV)	\$3,271,900	0.209%	\$9,605
Jade Pig (TV)	\$3,112,700	0.199%	\$9,138
Leisure Mobile Village (TV)	\$2,655,900	0.169%	\$7,797
Klein Plastics Company (TV)	\$2,501,900	0.160%	\$7,345

Holland Public Schools	
2014 Total Taxable Value	\$782,132,896
2014 Total Business Taxable Value	\$281,216,857
2010 Bond Request (Security and Technology)	\$5,653,747
Total Added Cost	\$974,614
Business Share of Added Cost	\$350,424
Residential Share of Added Cost	\$624,190

Employer	Taxable Value (2014)	% of Total TV	Share of Added Cost
Haworth, Inc.	\$27,757,750	3.549%	\$34,589
Johnson Controls	\$17,878,131	2.286%	\$22,278
ARC Holland Real Estate	\$14,849,945	1.899%	\$18,504
Lumir LLC	\$13,589,982	1.738%	\$16,934
HJ Heinz	\$12,304,746	1.573%	\$15,333
Benteler Aluminum	\$9,781,550	1.251%	\$12,189
Trans-Matic Mfg.	\$5,377,808	0.688%	\$6,701
Brooks Beverage Inc.	\$7,614,800	0.974%	\$9,489
SEMCO Energy	\$6,357,500	0.813%	\$7,922
Meijer, Inc.	\$4,104,552	0.525%	\$5,115

Zeeland Public Schools	
2014 Total Taxable Value	\$1,174,409,022
2014 Total Business Taxable Value	\$479,942,247
2010 Bond Request (Technology and Security)	\$5,611,007
Total Added Cost	\$559,657
Business Share of Added Cost	\$228,713
Residential Share of Added Cost	\$330,944

Employer	Taxable Value (2014)	% of Total TV	Share of Added Cost
Consumers Energy	\$61,490,300	5.236%	\$29,303
MEAD Johnson & Company	\$48,812,212	4.156%	\$23,261
GENTEX Corp.	\$39,996,406	3.406%	\$19,060
Herman Miller Inc.	\$23,339,144	1.987%	\$11,122
Sara Lee Corporation	\$7,632,494	0.650%	\$3,637
Waste Management	\$6,667,115	0.568%	\$3,177
ITW Drawform Inc.	\$6,630,200	0.565%	\$3,160
Innotec Corp.	\$5,866,303	0.500%	\$2,796
Macatawa Bank	\$4,925,240	0.419%	\$2,347
SEMCO Energy	\$4,597,300	0.391%	\$2,191
Walters Gardens Inc.	\$4,503,538	0.383%	\$2,146
Consumers Energy	\$4,413,766	0.376%	\$2,103

